

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Laurium Housing Commission		County Houghton	
Fiscal Year End September 30, 2007		Opinion Date May 5, 2008		Date Audit Report Submitted to State May 9, 2008			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

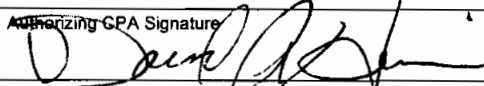
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	None	
Other (Describe)		<input checked="" type="checkbox"/>	Agreed-upon Procedures Report, Audit Procedures Report	
Certified Public Accountant (Firm Name) David A. Heinonen, CPA, PC			Telephone Number (906) 337-2910	
Street Address 56730 Calumet Avenue, Suite D			City Calumet	State MI
			Zip 49913	
Authorizing CPA Signature 		Printed Name David A. Heinonen		License Number 1101023766

LAURIUM HOUSING COMMISSION
Laurium, Michigan

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September 30, 2007

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Independent Auditor's Report

Board of Commissioners
Laurium Housing Commission
Laurium, MI 49913

We have audited the accompanying general-purpose financial statements of the Laurium Housing Commission, HUD Project No. MI-054001 as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Laurium Housing Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Laurium Housing Commission as of September 30, 2007, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with **Government Auditing Standards**, we have also issued a report dated May 5, 2008, on our consideration of the Laurium Housing Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards**, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 7 is not a required part of the financial statements but is required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Financial Data Schedule, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Laurium Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

David A. Heinonen, CPA, PC

Calumet, Michigan
May 5, 2008

LAURIUM HOUSING COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS
September 30, 2007

Our discussion and analysis of the Laurium Housing Commission's (Commission) financial performance provides an overview of the financial activities for the year ended September 30, 2007. Please read it in conjunction with the Commission's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The Commission's net assets for the year are \$759,191, a decrease of 4.1% over the \$790,616 reported last year. The Commission had operating revenues of \$132,005, which is a decrease of 6.9% from the operating revenues last year of \$141,862. The Commission also had capital projects fund revenues of \$2,475 and \$62,317 respectively. The Commission's operating expenses for the year were \$176,954, an increase of 24.4%, over those last year of \$142,270. In addition depreciation expense was \$31,866 and \$30,133 respectively. The actual results of operations for the Commission were within the final budgetary overall amounts for the previous year and slightly in excess for the current year.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues Expenses and Changes in Net Assets (on pages 8 and 10) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances.

REPORTING THE COMMISSION AS A WHOLE

Our analysis of the Commission as a whole begins on page 8. One of the most important questions asked about the Commission's finances is "Is the Commission, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Commission's net assets and changes in them. You can think of the Commission's net assets—the difference between assets and liabilities – as one way to measure the Commission's financial health, or *financial position*. Over time, increases or decreases in the Commission's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the population of low income and elderly individuals.

In the Statement of Net Assets and the Statement of Revenues, Expenses, and Change in Net Assets, the Commission's activities are reported as business-type activities:

Business-type activities—The Commission charges rent to tenants to help it cover all or most of the costs of services it provides.

REPORTING THE COMMISSION'S MOST SIGNIFICANT FUNDS

Our analysis of the Commission's major activities begins on page 8. The financial statements provide detailed information on all of the Commission's activities. The Commission uses a proprietary fund to account for its activities. The method of accounting for proprietary funds is explained below.

Proprietary funds – The Commission charges tenants rent for the housing services it provides and these services are reported in a proprietary fund. Proprietary funds are reported in the same way for its activities and are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Change in Net Assets.

LAURIUM HOUSING COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
September 30, 2007

THE COMMISSION AS A WHOLE

The Commission's combined net assets at September 30, 2007 decreased \$31,425 from September 30, 2006.

Table 1 - Net Assets

	<u>2007</u>	<u>2006</u>
Assets		
Current and other assets	\$ 111,760	\$ 215,184
Capital assets (net)	<u>669,823</u>	<u>596,930</u>
Total assets	<u>781,583</u>	<u>812,114</u>
Liabilities		
Current and other liabilities	22,392	21,498
Other liabilities	<u>0</u>	<u>0</u>
	<u>22,392</u>	<u>21,498</u>
Net Assets		
Investment in capital assets, net of related debt	669,823	596,930
Unrestricted net assets	<u>89,368</u>	<u>193,686</u>
Net Assets	<u>\$ 759,191</u>	<u>\$ 790,616</u>

The Commission's total assets decreased from \$812,114 to \$781,583. The current asset (cash) decrease was essentially offset by a like increase in capital assets, as a result of acquiring windows, facia, and siding in the amount of \$104,769, net of depreciation expense of \$31,866. The Commission's current and other liabilities increased by \$894, primarily due to an increase in utility expense accruals. Net assets of the Commission stood at \$759,191, versus \$790,616 last year. Unrestricted net business assets were \$89,368 and \$193,686 last year. In general, the Commission's unrestricted net assets are used to fund operations of the Commission.

Table 2 - Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues: Charges for services	\$ 85,400	\$ 88,901
Program grants and subsidies	49,080	107,130
General revenues:		
Other income	2,290	436
Unrestricted investment income	<u>8,759</u>	<u>7,712</u>
Total revenues	<u>145,529</u>	<u>204,179</u>
Program Expenses		
Operating expenses	176,954	172,403
Loss on sale of fixed assets	<u>0</u>	<u>0</u>
Total expenses	<u>176,954</u>	<u>172,403</u>
Increase in net assets	(31,425)	31,776
Net assets - beginning of year	<u>790,616</u>	<u>758,840</u>
Net assets - end of year	<u>\$ 759,191</u>	<u>\$ 790,616</u>

LAURIUM HOUSING COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
September 30, 2007

BUSINESS-TYPE ACTIVITIES

Revenues for the Commission totaled \$145,529, and were \$204,179 last year. The Commission's average unit months leased on a monthly basis had increased slightly during the current year. In addition, HUD operating funds grants had increased slightly and capital funding grants had decreased during the current year. The prior years' capital funding grants were, in prior years drawn and closed which provided the monies for this years capital acquisitions. The Commission depends on HUD operating and capital grants to assist in covering its operating expenses, and capital improvements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007, the Commission had \$1,281,632, last year it had \$1,179,164, invested in a variety of capital assets including land, equipment and building as follows:

Table 3 - Capital Assets at September 30, 2007 Business -Type Activity

	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 65,755	\$ 65,755
Building and improvements	1,066,708	964,240
Equipment	149,169	149,169
Total Cost	1,281,632	1,179,164
Less: accumulated depreciation	(611,809)	(582,234)
Net Capital Assets	\$ 669,823	\$ 596,930

There was no activity with regard to acquisitions or disposals in the Land and improvements, or Equipment for 2007. The activity for 2007 in regard to Building and improvements included acquiring windows, fascia, and siding in the amount of \$104,759. There were several assets disposed of in the amount of \$2,290. The accumulated depreciation has increased by the current depreciation of \$31,866 less the accumulated depreciation on the assets disposed of \$2,290, or \$29,575.

BUDGET COMPARATIVES, ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Table 4 discusses the variance between the final budget and the actual results for 2007 and 2006.

Table 4 - Final Budget versus Actual Results - September 30, 2007 and 2006

	<u>2007</u> <u>Final Budget</u>	<u>2007</u> <u>Actual</u>	<u>2007</u> <u>Variance</u>
Operating subsidy - HUD	\$ 47,409	\$ 46,605	\$ (804)
Program revenues	81,369	96,449	15,080
	128,778	143,054	14,276
Administration	\$ 37,242	\$ 38,807	\$ (1,565)
Tenant Services	1,806	621	1,185
Utilities	37,323	31,762	5,561
Maintenance	28,890	28,683	207
General	46,609	45,216	1,393
Protective Services	903	0	903
	152,773	145,089	7,684

LAURIUM HOUSING COMMISSION
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)
September 30, 2007

BUDGET COMPARATIVES, ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

	<u>2006</u> <u>Final Budget</u>	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Variance</u>
Operating subsidy - HUD	\$ 45,750	\$ 44,813	\$ (937)
Program revenues	<u>85,920</u>	<u>97,049</u>	<u>11,129</u>
	131,670	141,862	10,192
Administration	\$ 34,920	\$ 36,269	\$ (1,349)
Tenant Services	2,000	989	1,011
Utilities	34,066	32,593	1,473
Maintenance	38,450	28,923	9,527
General	47,230	43,496	3,734
Protective Services	<u>500</u>	<u>0</u>	<u>500</u>
	157,166	142,270	14,896

The relatively large favorable variance in program revenues of \$14,276 and \$10,192 in 2007, and 2006 respectively is primarily due to an overall increase in occupancy and the rise in the per room (unit) rental rates.

The favorable variance of \$14,896, in the 2006 expenses is primarily due to maintenance items that were less than expected, the increase in administrative expenses were offset by expense reductions in all other areas. In 2007, the utilities expense were less than expected, as well as the expenses in other areas, resulting in a favorable overall variance of \$7,684.

The Commission's appointed officials considered many factors when setting the budget for the fiscal year 2006/2007 budget. The current availability of low income and elderly tenants has been a major contributing factor in establishing the budgeted amounts. In the upcoming year, we do not anticipate any significant change in the occupancy rate and availability of new tenants that will provide any substantial increase in revenues. There continues to be a variety of inflationary cost and expense issues. All of these were taken into consideration during the 2006/2007 budget process.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the readers with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Commission's Executive Director during regular business hours at (906) 337-2306.

LAURIUM HOUSING COMMISSION
-PROPRIETARY FUND
HUD PROJECT NO MI-054001
STATEMENT OF NET ASSETS
September 30, 2007

CURRENT ASSETS

Cash and cash equivalents	\$	101,113
Accounts receivable - tenants		156
Prepaid expenses		4,089
Tenant deposits held in trust		<u>6,402</u>

Total Current Assets 111,760

NONCURRENT ASSETS

Capital assets		1,281,632
Less accumulated depreciation		<u>(611,809)</u>

Net Capital Assets 669,823

Total Noncurrent Assets 669,823

TOTAL ASSETS \$ 781,583

LIABILITIES

Accounts payable	\$	1,193
Accrued liabilities		14,797
Tenant security deposits		<u>6,402</u>

Total Current Liabilities 22,392

NET ASSETS

Investment in capital assets, net of related debt		669,823
Unrestricted net assets		<u>89,368</u>

NET ASSETS \$ 759,191

The accompanying notes to financial statements are an integral part of this statement.

LAURIUM HOUSING COMMISSION
-PROPRIETARY FUND
HUD PROJECT NO MI-054001
STATEMENT OF ACTIVITIES
For the Year ended Setember 30, 2007

PROGRAMS	Expenses	Program Revenue			Net Revenue and Change in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-Type Activities
BUSINESS-TYPE ACTIVITIES:					
Public Housing	\$ 176,954	\$ 85,400	\$ 46,605	\$ 2,475	\$ (42,474)
General Revenues:					
Unrestricted investment earnings				\$	8,759
Other					2,290
Total general revenues					11,049
Change in net assets					(31,425)
Net assets, beginning of year					790,616
Net assets, end of year				\$	759,191

The accompanying notes to financial statements are an integral part of this statement.

LAURIUM HOUSING COMMISSION
-PROPRIETARY FUND
HUD PROJECT NO MI-054001
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year ended September 30, 2007

OPERATING REVENUES

Tenant Revenue	\$	85,400
Operating grants - subsidies		<u>46,605</u>

Total Operating Revenues \$ 132,005

OPERATING EXPENSES

Administrative	\$	60,668
Tenant Services		621
Utilities		31,762
Maintenance		37,931
General		14,106
Depreciation expense		<u>31,866</u>

Total Operating Expenses \$ 176,954

OPERATING INCOME (LOSS) \$ (44,949)

NON-OPERATING INCOME

Non-operating grants - subsidies	\$	2,475
Interest Income		8,759
Gain/(Loss) on sale of capital assets		<u>2,290</u>

Total Other Income \$ 13,524

Change in Net Assets \$ (31,425)

NET ASSETS - BEGINNING OF YEAR \$ 790,616

NET ASSETS - END OF YEAR \$ 759,191

The accompanying notes to financial statements are an integral part of this statement.

LAURIUM HOUSING COMMISSION
-PROPRIETARY FUND
HUD PROJECT NO MI-054001
STATEMENT OF CASH FLOWS
For the Year ended September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$	85,434
Cash received from grants and subsidies		49,080
Cash payments to suppliers for goods and services		(68,247)
Cash payments for wages and related benefits		(71,468)
Payment in lieu of taxes		(5,105)
Other payments		1
Net cash from (used by) operating activities	\$	(10,305)

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	\$	(104,759)
Gain on sale of assets		2,290
Net cash used by capital and related financing activities	\$	(102,469)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment Income	\$	8,759
Other		0
Net cash from investing activities	\$	8,759

Net decrease in cash \$ (104,015)

CASH AND EQUIVALENTS - BEGINNING OF YEAR \$ 205,128

CASH AND EQUIVALENTS - END OF YEAR \$ 101,113

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$	(42,475)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		31,866
Changes in assets and liabilities:		
Decrease (Increase) in accounts receivable		34
Decrease (Increase) in prepaids		(379)
Decrease (Increase) in tenant deposits held in trust		(245)
Increase (Decrease) in accounts payable		(214)
Increase (Decrease) in accrued liabilities		863
Increase (Decrease) in tenant security deposits		245
Net cash from operating activities	\$	(10,305)

The accompanying notes to financial statements are an integral part of this statement.

LAURIUM HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY

The Laurium Housing Commission (Commission), 125 Lake Linden Avenue, Laurium, Michigan, a non-profit organization, was formed in 1968 under the criteria established for low-income housing programs by the United States Department of Housing and Urban Development. The commission operates 29 units of low-income and senior housing, under a board of commissioners appointed by the Laurium Village Council. The Commission, for financial reporting purposes, includes all of the activities relevant to its rental operations.

Component Unit

In evaluating how to define the Commission, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include budget adoption, taxing authority, funding, appointment of the respective governing board, and scope of public service.

Based on the foregoing criteria, it was determined that the Laurium Housing Commission was not a component unit of any other governmental unit.

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

BASIS OF PRESENTATION

The Commission has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which had substantially revised the financial statement presentation as described below.

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets display information about the Commission as a whole. They include all business-type activities of the Commission. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

LAURIUM HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION (Continued)

Proprietary fund

Proprietary funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

The government-wide Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets are presented using the economic resource measurement focus as defined below.

The Commission utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changing in net assets, financial position and cash flows. All assets and liabilities, whether current or non-current, associated with their activities are reported.

Basis of Accounting:

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

As allowed by GASB Statement No. 20, the Commission’s business-type activity follows all GASB pronouncements and FASB Statements and Interpretations that were issued on or after November 30, 1989, except those that conflict with a GASB pronouncement.

LAURIUM HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS

Cash and Equivalents - The Commission's cash and equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - All prepaid expenses, such as insurance premiums, which are expected to be written off within the next fiscal year are included in net current assets.

Due to and Due From Other Funds – Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which the transactions are executed.

Capital Assets – Capital Assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset of materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Building & improvements	10-40 years
Furniture and other equipment	5-10 years

The Commission has adopted a capitalization policy for capital assets of \$500 per item.

Compensated Absences - Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expense and a corresponding liability.

LAURIUM HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007 (Continued)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES AND NET ASSETS (Continued)

Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in two components:

1. Invested in capital assets. Consists of capital assets, net of accumulated depreciation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

REVENUES AND EXPENSES

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities. Expenses are classified by operating and non-operating and are sub-classified by function such as salaries, supplies and contracted services.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Inter-fund Activity:

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide statements.

The transfers of cash between the various Commission activities are reported separately from the revenues and expenses as operating transfer in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing activity.

Budgets and Budgetary Accounting:

Budgets are adopted on a basis prescribed or permitted by the Department of Housing and Urban Development. All annual appropriations lapse at fiscal year end. The Commission follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Director submits to the Board a proposed operating budget for the fiscal year commencing on October 1st. The operating budget includes proposed expenses and the means of financing them. Prior to September 30th the budget is legally adopted by Board resolution.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget has been amended. Supplemental appropriations were made during the year with the last one approved prior to September 30th.

LAURIUM HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(Continued)

Budgets and budgetary accounting (continued)

4. During the early part of the previous audit period, HUD had converted the budgetary process to the calendar year instead of the Commission's operating fiscal year. This conversion had no effect on the financial statements. The revenues, including HUD grants and subsidies were all received within the audit period, and the expenses were recorded within the audit period and budgetary constraints as well.

NOTE B – CASH AND INVESTMENTS

The Commission maintains segregated cash and investment accounts which are specific to the activity to which they are available.

CASH AND EQUIVALENTS

Cash and equivalents consisted of:

Petty cash	\$ 20
Cash and equivalents	<u>101,093</u>
TOTAL	\$ <u>101,113</u>

The bank balances were fully insured at September 30, 2007. Cash and equivalents are categorized as follow:

Category 1 - Insured or registered, with securities held by the Commission or its agent in the Commission's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commissions name.

	<u>Category</u>			<u>Market</u>	<u>Bank</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Balance</u>
Petty cash	\$ 20	-	-	\$ 20	\$ -
Cash and equivalents	<u>101,093</u>	<u>-</u>	<u>-</u>	<u>101,093</u>	<u>104,221</u>
	<u>\$ 101,113</u>	<u>-</u>	<u>-</u>	<u>\$ 101,113</u>	<u>\$ 104,221</u>

LAURIUM HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(Continued)

NOTE B – CASH AND INVESTMENTS (Continued)

STATUTORY AUTHORITY

Michigan law (Act 196 PA 1997) authorizes the Commission to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers' acceptance of United States Banks.
- f. Obligations of this State or any of its political subdivisions at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-4 to 80a-64, with the authority to purchase investment vehicles that are legal for direct investment by a public corporation.
- h. Obligations described in a. through g. if purchased through an inter-local agreement under the Urban Cooperation's Act of 1967, 1967 (Ex. Sess.) PA 7 MCL 123.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 29.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, 1985 PA 21, MCL 129.141. to 129.150.

Michigan Law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

LAURIUM HOUSING COMMISSION

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007 (Continued)

NOTE B – CASH AND INVESTMENTS (Continued)

INVESTMENTS

Investments (if any) would be stated at market value.

Investments would normally consist of certificates of deposit and be in accordance with State of Michigan Statutes. Those statutes do not mandate that accounts be partially or fully insured or collateralized. Investments are categorized as follows:

Category 1 – Insured or registered, with securities held by the Commission or its agent in the Commission's name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust dept.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust dept or agent but not in the Commission's name.

There were no investments at September 30, 2007.

NOTE C – PENSION PLAN

The Laurium Housing Commission provides a Simplified Employee Pension Plan for Eligible employees. The terms of the plan call for contributions of 8% of each employees annual compensation. Pension expense totaled \$2,301 for the year ended September 30, 2007.

NOTE D – FIXED ASSETS

A summary of Capital assets as of September 30, 2007 is as follows:

	<u>Balance</u> <u>10/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>9/30/2007</u>
Land	\$ 65,755	\$ 0	\$ 0	\$ 65,755
Buildings	\$ 964,240	\$ 104,759	\$ (2,291)	\$ 1,066,708
Equipment	\$ 149,169	\$ 0	\$ 0	\$ 149,169
	<u>\$ 1,179,164</u>	<u>\$ 104,759</u>	<u>\$ (2,291)</u>	<u>\$ 1,281,632</u>
Accumulated depreciation	\$ (582,234)	\$ (31,866)	\$ 2,291	\$ (611,809)
Net Fixed Assets	<u>\$ 596,930</u>	<u>\$ 72,893</u>	<u>\$ 0</u>	<u>\$ 669,823</u>

Depreciation expense for the year was \$31,866.

LAURIUM HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007
(Continued)

NOTE E – COMPENSATED ABSENCES

Pursuant to the requirements of the Governmental Accounting Standards Board Statement 16, the Commission accrues a liability for compensated absences which meet the following criteria:

1. The Commission's obligation related to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the Commission has calculated a liability for sick, personal and vacation leave which has been earned but not taken by Commission employees. The amount of \$5,344 is included in liabilities in accordance with FASB Statement 43.

NOTE F – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE G – USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE H – ECONOMIC DEPENDENCY

The Commission is dependent upon the Department of Housing and Urban Development (HUD) to fund its operations through operating subsidies and capital funding grants. Total revenues for the year ended September 30, 2007 totaled \$145,530 of which \$49,080 or 33.7% was from HUD subsidies and grants.

SUPPLEMENTARY INFORMATION

LAURIUM HOUSING COMMISSION
-PROPRIETARY FUND
HUD PROJECT NO MI-054001
FINANCIAL DATA SCHEDULE
September 30, 2007

Line Item	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
ASSETS				
CURRENT ASSETS				
	Cash and cash equivalents			
1111.1	Cash - General Fund - Unrestricted	101,093	-	101,093
1117	Petty cash	20	-	20
111	Total Cash and Equivalents	101,113	-	101,113
126	Accounts receivable - Tenants - Dwelling	156	-	156
142	Miscellaneous prepaid expenses	4,089	-	4,089
114	Tenant deposits held in trust	6,402	-	6,402
150	Total Current Assets	111,760	-	111,760
PROPERTY AND EQUIPMENT				
161	Land	65,755	-	65,755
162	Building	1,066,708	-	1,066,708
163	Furniture, equipment, and machines-dwelling	142,984	-	142,984
164	Furniture, equipment, and machines-administrative	6,185	-	6,185
	Total Fixed Assets	1,281,632	-	1,281,632
166	Accumulated depreciation - structures and equipment	(611,809)	-	(611,809)
160	Net Fixed Assets	669,823	-	669,823
190		781,583	-	781,583
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
312	Accounts payable - vendors and contractors	1,193	-	1,193
	Accrued liabilities			
321	Payroll taxes	1,220	-	1,220
322	Deferred credits - other	5,344	-	5,344
333	Payments in lieu of taxes	4,671	-	4,671
345	Utilities and other	3,562	-	3,562
341	Tenant Security Deposits	6,402	-	6,402
310	Total Current Liabilities	22,392	-	22,392
EQUITY				
508.1	Investment in capital assets, net of debt	669,823	-	669,823
512.1	Unrestricted net assets	89,368	-	89,368
513	Total Equity	759,191	-	759,191
600		781,583	-	781,583

See notes to financial statements.

LAURIUM HOUSING COMMISSION
-PROPRIETARY FUND
HUD PROJECT NO MI-054001
FINANCIAL DATA SCHEDULE
September 30, 2007

<u>Line Item</u>	<u>Account Description</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
703	Dwelling rental	82,126	-	82,126
711	Investment income - unrestricted	8,759	-	8,759
706	Revenue HUD PHA Operating Grants	46,605	2,475	49,080
706.1	Revenue HUD PHA Capital Grants	0	-	0
716	Gain/(Loss) on sale of fixed assets	2,290	-	2,290
704	Tenant revenue - other	3,274	-	3,274
	Total Other Revenue	52,169	2,475	54,644
700	Total Revenue	143,054	2,475	145,529
EXPENSES				
911	Administrative Wages	22,415	-	22,415
916	Accounting fees	2,150	-	2,150
916	Sundry-other administrative expense	10,177	-	10,177
915	Employee Benefit Contribution	23,427	-	23,427
912	Auditing fee	2,500	-	2,500
	Total Administrative Expenses	60,669	-	60,669
924	Tenant services - other	621	-	621
932	Electricity	13,134	-	13,134
931	Water	6,283	-	6,283
933	Gas	12,345	-	12,345
	Total Utilities Expense	31,762	-	31,762
941	Labor	18,005	-	18,005
942	Materials and other	1,985	-	1,985
943	Contract costs	9,886	-	9,886
945	Employee Benefit Contribution	8,055	-	8,055
	Total Ordinary Maintenance Expenses	37,931	-	37,931
971	Extraordinary Maintenance	0	-	0
	Total Extraordinary Maintenance Expense	0	-	0

See notes to financial statements.

LAURIUM HOUSING COMMISSION
-PROPRIETARY FUND
HUD PROJECT NO MI-054001
FINANCIAL DATA SCHEDULE
September 30, 2007

Line Item	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Total
963	Payments in lieu of taxes	4,670	-	4,670
961	Insurance	9,436	-	9,436
	Total General Expenses	14,106	-	14,106
969	Total Operating Expenses	145,089	-	145,089
970	Excess Operating Revenue	(2,035)	2,475	440
974	Depreciation expenses	31,866	-	31,866
900	Total Expenses	176,955	-	176,955
	Other Financing Sources (Uses)			
1001	Operating transfers in	2,475	-	2,475
1002	Operating transfers out	-	(2,475)	(2,475)
1010	Total Other Financing Sources (Uses)	2,475	(2,475)	-
1000	Excess of Total Revenue over Total Expenses	(31,426)	-	(31,426)

See notes to financial statements.

DAVID A. HEINONEN CPA PC

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Report on Compliance and on Internal Control over Financial Reporting **Based on an Audit of Financial Statements Performed in** **Accordance with Government Auditing Standards**

Board of Commissioners
Laurium Housing Commission
Laurium, MI 49913

We have audited the financial statements of the Laurium Housing Commission, HUD Project No. MI-054001, as of and for the year ended September 30, 2007, and have issued our report thereon dated May 5, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Laurium Housing Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Laurium Housing Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

David A. Heinonen, CPA, PC

Calumet, Michigan
May 5, 2008

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David A Heinonen CPA PC

Independent Accountant's Report on Applying Agreed-Upon Procedure

Board of Commissioners
Laurium Housing Commission
Laurium MI 49913

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Laurium Housing Commission and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. The Laurium Housing Commission is responsible for the accuracy and completeness of the electronic submission. The agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and the hard copy document as shown in the attached chart.

We were engaged to perform an audit of the financial statements of the Laurium Housing Commission as of and for the year ended September 30, 2007, and have issued our reports thereon dated May 5, 2008. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplemental financial data templates dated May 5, 2008, was expressed in relation to the basic financial statements of the Laurium Housing Commission taken as a whole.

A copy of the financial statement package, which includes the auditor's reports, is available in its entirety from the Laurium Housing Commission. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Laurium Housing Commission and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

David A. Heinonen CPA, PC

Calumet, Michigan
May 5, 2008

Attachment to Independent Accountant's Report on Applying

Agreed-Upon Procedure

<u>UFRS Rule Information</u>	<u>Hard Copy Document(s)</u>	<u>Findings</u>
Balance Sheet, Revenue and Expense and Cash Flow Data (account numbers 1120 to 7100T and the S1200 Series)	Supplemental Schedules with Financial Statement Data	Agrees
Surplus Cash (S1300 series of accounts)	Computation of Surplus Cash, Distributions and Residual Receipts (Annual)	Agrees
Footnotes (S1300 series of accounts)	Notes to Financial Statements	Agrees
Type of Opinion on the Financial Statements and Compliance (account numbers S2100-020, S2300-020)	Auditor's Reports on the Financial Statements and Compliance	Agrees
Type of Opinion on Supplemental Data (account number S2100-100)	Auditor's Report on Supplemental Data	Agrees
Audit Findings Narrative (S2700 series of accounts)	Schedule of Findings and Questioned Costs	Agrees